
Saskatchewan Economic and Financial Position



September, 1992

**The Honourable Ed Tchorzewski
Minister of Finance**



Report from the Minister of Finance



I am pleased to present the Government's preliminary financial results for the fiscal year ended March 31, 1992 and the latest information on Saskatchewan's economic performance for the 1991 calendar year.

The Province underwent significant changes during the 1991-92 fiscal year. The fact that a Budget had been introduced but never passed in the Legislature meant prompt action was required to assess the Province's financial position.

A review in November, 1991 revealed that the 1991-92 deficit was much higher than forecast by the previous administration in April, 1991; not \$265 million, but \$960 million. Measures were quickly taken to reduce the 1991-92 budget deficit.

I am pleased to report that, through prudent financial management, the 1991-92 deficit is \$842 million; \$120 million less than forecast. The 1992-93 Budget projects a further reduction in the annual deficit to \$517 million. The Government has established a clear deficit reduction trajectory and is firmly committed to staying the course.

Difficult decisions were required to address the Province's serious financial difficulties. Significant expenditure reductions and tax measures were necessary in the 1992-93 Budget to reduce the deficit. Though the 1992-93 Budget was a difficult one, it met the tests of fairness and compassion. Throughout, measures were evaluated based on fairness and the primary objective of protecting those most in need.

The first Budget of the new administration has clearly established a course for sound financial management in the Province. In addition, significant steps have been taken to ensure the public's expectations for open and accountable government are met. In November, 1991, the Government established The Financial Management Review Commission. The Commission issued its report on February 18, 1992.

The Commission put forward a series of recommendations aimed at increasing public disclosure, control and accountability of the decisions and processes of government, including those of the Crown sector. The Government has already acted on most of the recommendations put forward by the Financial Management Review Commission.

Significant accounting changes have been adopted. Some examples include:

- providing summary financial statements for the Province in the 1991-92 Public Accounts;
- introducing accrual accounting for the 1993-94 fiscal year;

- recording valuation losses on loans and investments as budgetary expenditures, commencing in 1992-93; and,
- discontinuing the practice of recording as loans, advances to organizations that can be repaid only from future appropriations and begin immediately to record these as budgetary expenditures when disbursed.

The Government has also taken measures to improve disclosure and enhance accountability. Some examples include:

- providing a mid-year account of the Province's financial position;
- abolishing the Heritage Fund;
- tabling financial statements for the Crown Investments Corporation (CIC) and its subsidiaries; and,
- transferring non-self-supporting Crown corporation debt to the Consolidated Fund.

During 1991, the Province's economy was characterized by adverse economic conditions. Factors such as recession in North America, the high value of the Canadian dollar, relatively high interest rates and the introduction of the Goods and Services Tax in January, 1991 all served to hamper Saskatchewan's economic performance. Overall, the economy posted a modest 0.6 per cent increase in Real Gross Domestic Product.

Last year's excellent crop was the predominant factor in the positive performance of the economy. Agricultural output increased by 9.7 per cent last year, following a 12.4 per cent improvement in 1990. Realized net farm income amounted to \$424 million, up by 19.1 per cent from 1990.

Saskatchewan posted the lowest unemployment rate among Canadian provinces in 1991. In addition, nearly all components of personal income improved.

While a significant economic recovery is not expected until 1993, Saskatchewan is deriving positive benefits from improvements in exports and residential construction activity in 1992.

The Government fully recognizes that one of the primary factors in overcoming the Province's current financial difficulties is stimulating the economy and helping to create jobs. The Government will continue, in broad consultation with the Saskatchewan community, to develop policies which will help achieve these goals.

The positive changes in Saskatchewan over the last fiscal year have served to restore sound financial management and improve public disclosure and accountability. The Government will continue to place a high priority on the restoration of Saskatchewan's financial integrity, while working to stimulate the economy and help to create jobs.

A handwritten signature in dark ink, reading "Ed Tchorzewski". The signature is stylized with a large, flowing "E" and a cursive "Tchorzewski".

Honourable Ed Tchorzewski
Minister of Finance

Economic Highlights

1991 Calendar Year Preliminary Results

Gross Domestic Product

Saskatchewan's economy grew modestly in 1991 even as the Canadian economy receded. Real Gross Domestic Product, which measures the volume of goods and services produced in the Province, increased by 0.6 per cent.

Last year's excellent crop was mainly responsible for the positive performance of the economy. Agricultural output increased by 9.7 per cent last year following a 12.4 per cent improvement in 1990.

Growth was supported by higher non-residential construction activity. Construction of the Lloydminster oil upgrader, the fertilizer plant at Belle Plaine and the Meadow Lake pulp mill, which started in 1990, continued in 1991. Capital investment went up another 3.1 per cent in 1991 in inflation-adjusted terms, after rising 6.2 per cent in 1990.

Personal Income

Total personal income increased by only 0.3 per cent in 1991. However, nearly all components of personal income improved. Wages, salaries and supplementary labour income, which is more than half of total personal income, increased by 2.6 per cent. Current transfers to persons from government went up 9.7 per cent to represent approximately one-fifth of total personal income. Net income of non-farm unincorporated business, also a significant component of personal income, rose 3.4 per cent.

Consumer Prices

The inflation rate in Regina and Saskatoon, as measured by the percentage increase in the Consumer Price Index, was 5.4 per cent and 5.2 per cent, respectively, reflecting the impact of tax increases early in 1991. Inflation averaged 5.3 per cent in Saskatchewan last year while the national inflation rate averaged 5.6 per cent.

Labour Force and Employment

Saskatchewan's total labour force was 484,000, up 1,000 from 1990. The total number of employed persons remained at 449,000.

Saskatchewan's unemployment rate increased to 7.4 per cent in 1991 from 7.0 per cent in 1990. However, Saskatchewan had the lowest unemployment rate among Canadian provinces in 1991. The average unemployment rate in Canada reached 10.3 per cent last year.

Agriculture

Saskatchewan farmers produced another bumper crop in 1991. Crop harvest totalled 25.3 million tonnes, just 1.9 per cent below the 1986 record harvest of 25.8 million tonnes.

Total farm cash receipts amounted to \$4.0 billion, up 0.5 per cent from 1990. Crop receipts contributed \$2.4 billion or 61 per cent of total farm cash receipts in 1991. Livestock receipts amounted to \$862 million or 22 per cent of the total. Government support payments reached \$696 million or 17 per cent of total farm cash receipts in 1991.

Realized net farm income, which is the amount left after deducting operating expenses and depreciation cost from farm cash receipts, amounted to \$424 million, up by 19.1 per cent from 1990.

Minerals

Sales of mineral products went down by 15.6 per cent last year due to the high value of the Canadian dollar and low commodity prices. The value of oil sales dropped by 27.4 per cent as oil prices returned to normal after the Persian Gulf war ended. The number of oil wells drilled declined to 625 wells from 729 wells in 1990.

Activity in the natural gas sector also declined as the continuing weakness in price caused gas drilling activity to drop to 461 wells from 565 in 1990. The value of natural gas sales, however, rose 5.4 per cent over 1990.

Saskatchewan potash production increased by 4.7 per cent. However, falling demand in some of the Province's major export markets and competition from the former republics of the Soviet Union caused Saskatchewan potash sales to fall by 3.1 per cent in 1991.

Uranium production also went up by 19.2 per cent as the Collins Bay mine restarted operations in August 1991. Uranium sales, however, fell 11.6 per cent to \$304 million from \$344 million in 1990.

Trade With the Rest of Canada and Abroad

Saskatchewan's exports in current dollar terms dropped to \$7.3 billion in 1991 from \$7.8 billion in 1990. Imports, on the other hand, increased slightly to \$7.7 billion from \$7.6 billion.

However, the Province registered a trade surplus of \$477 million in inflation-adjusted terms in 1991.

Manufacturing Shipments and Retail Trade

The value of manufacturing shipments fell 4.9 per cent to \$3.4 billion in 1991. Shipments of food products, beverages, wood products, printing and publishing materials, electrical products and machinery went down. Shipments of fabricated metal products and chemical products increased by 9.3 per cent and 13.2 per cent, respectively.

Retail sales went down by 6.9 per cent. Nearly all categories of retail store outlets experienced declining sales last year.

The 1992 Outlook

Recent data suggest that exports will be the main source of strength for the Canadian economy in 1992. Foreign trade provided a large boost to economic growth during the First Quarter of 1992 with some help from the residential construction sector.

Exports will continue to benefit from a lower Canadian dollar and a slowly improving U.S. economy. In addition, the rest of the world is also expected to recover, albeit at a slow pace.

While a significant recovery is not expected to come until 1993, Saskatchewan is deriving positive benefits from improvements in exports and residential construction activity in 1992.

Saskatchewan Economic Statistics

Calendar Year	1987	1988	1989	1990	Preliminary 1991
Gross Domestic Product - Current Prices - Millions of Dollars					
Personal Expenditure on Goods and Services	11,197	11,775	12,339	12,765	13,047
Government Expenditure on Goods and Services	3,812	3,923	4,175	4,476	4,654
Gross Fixed Capital Formation	4,639	4,728	4,407	4,709	4,682
Value of Physical Change in Inventories					
Non-Farm	(104)	58	(59)	(111)	77
Farm Inventories and Grain in Commercial Channels	(260)	(789)	455	660	0
Exports of Goods	7,487	7,484	6,913	7,751	7,282
Minus: Imports of Goods	7,124	7,301	7,276	7,618	7,673
Net Exports of Services and Residual Error	(2,399)	(1,679)	(1,480)	(2,303)	(2,128)
Gross Domestic Product	17,248	18,198	19,473	20,328	19,940
Annual Rate of Change (Per Cent)	2.2	5.5	7.0	4.4	-1.9
Per Capita Gross Domestic Product (Current Dollars)	16,996	17,991	19,403	20,472	20,164
Gross Domestic Product - Millions of Constant 1986 Dollars					
Personal Expenditure on Goods and Services	10,765	10,895	10,908	10,899	10,686
Government Expenditure on Goods and Services	3,777	3,764	3,907	4,000	3,982
Gross Fixed Capital Formation	4,506	4,449	3,997	4,244	4,377
Value of Physical Change in Inventories					
Non-Farm	(109)	137	56	(111)	82
Farm Inventories and Grain in Commercial Channels	(387)	(1198)	495	616	111
Exports of Goods	7,240	6,769	5,965	6,741	7,057
Minus: Imports of Goods	6,833	6,776	6,433	6,542	6,580
Net Exports of Services and Residual Error and Adjustment	(2,348)	(1,666)	(1,424)	(2,123)	(1,889)
Real Gross Domestic Product	16,610	16,374	17,471	17,725	17,825
Annual Rate of Change (Per Cent)	(1.6)	(1.4)	6.7	1.5	0.6
Per Capita Gross Domestic Product (1986 Dollars)	16,368	16,188	17,408	17,850	18,025
Gross Domestic Product at Factor Cost by Industry - Current Prices - Millions of Dollars					
Total Primary Industries and Construction	3,639	3,786	3,498	3,712	3,746
Agriculture	1,451	1,811	1,523	1,712	1,878
Fishing	10	10	9	10	9
Forestry	42	44	48	50	52
Mining	1,282	1,050	1,073	1,095	990
Construction	854	871	845	845	817
Manufacturing	1,083	1,200	1,295	1,290	1,293
Transportation, Communication and Storage	1,517	1,604	1,581	1,577	1,603
Utilities	396	511	574	582	557
Trade	1,933	1,914	1,914	1,956	1,880
Finance, Insurance and Real Estate	3,396	3,563	4,008	4,333	4,209
Services	3,809	3,792	3,972	4,245	4,282
Public Administration	1,315	1,306	1,408	1,468	1,490
Gross Domestic Product at Factor Cost	17,089	17,675	18,251	19,162	19,061
Indirect Taxes Less Subsidies	159	523	1,222	1,166	879
Gross Domestic Product at Market Prices	17,248	18,198	19,473	20,328	19,940

Saskatchewan Economic Statistics

Calendar Year	1987	1988	1989	1990	Preliminary 1991
Trade with the Rest of Canada and Abroad - Current Prices - Millions of Dollars					
Exports					
Grain	2,473	2,611	2,013	2,193	2,507
Crude Oil	1,450	1,075	1,187	1,439	1,069
Potash	727	974	880	794	769
Manufactured Goods to Rest of Canada	924	771	821	819	779
Other	1,913	2,053	2,012	2,506	2,158
Total Exports	7,487	7,484	6,913	7,751	7,282
Imports					
Crude Oil	314	165	180	177	177
Natural Gas	50	18	11	1	1
Manufactured Goods from Rest of Canada	3,382	3,618	3,723	3,686	3,463
Other	3,378	3,500	3,362	3,754	4,032
Total Imports	7,124	7,301	7,276	7,618	7,673
Trade with the Rest of Canada and Abroad - Constant Prices - Millions of Dollars					
Exports					
Grain	2,684	2,172	1,550	1,939	2,505
Crude Oil	1,160	1,182	1,073	1,062	1,072
Potash	619	625	551	557	530
Manufactured Goods to Rest of Canada	898	723	753	744	709
Other	1,879	2,067	2,038	2,439	2,241
Total Exports	7,240	6,769	5,965	6,741	7,057
Imports					
Crude Oil	261	186	158	138	138
Natural Gas	67	25	15	1	1
Manufactured Goods from Rest of Canada	3,291	3,374	3,403	3,359	3,187
Other	3,214	3,191	2,857	3,044	3,254
Total Imports	6,833	6,776	6,433	6,542	6,580
Value of Mineral Sales - Millions of Dollars					
Oil	1,515	1,044	1,251	1,641	1,191
Potash	671	974	880	794	769
Uranium	637	463	380	344	304
Other	379	442	539	581	574
Total Value of Mineral Sales	3,202	2,923	3,050	3,360	2,837
Volume of Mineral Sales					
Oil - Thousands of Cubic Metres	12,064	12,242	11,626	12,147	12,263
Potash - Thousands of Tonnes	7,022	7,106	6,275	6,331	6,040
Uranium - Thousands of Kilograms	11,223	8,416	7,695	6,950	7,838

Saskatchewan Economic Statistics

Calendar Year	1987	1988	1989	1990	Preliminary 1991
Personal Income - Millions of Dollars					
Wages, Salaries and Supplementary Labour Income	8,294	8,646	8,835	9,270	9,514
Net Income Received by Farm Operators from Farm Production*	778	700	978	652	325
Other Income	6,196	6,691	7,226	7,852	7,994
Total Personal Income	15,268	16,037	17,039	17,774	17,833
Farm Income - Millions of Dollars					
Farm Cash Receipts	4,355	4,446	4,475	3,982	4,003
Net Cash Income	1,581	1,682	1,437	962	1,023
Realized Net Farm Income	900	1,028	806	356	424
Total Net Farm Income**	720	182	1,214	1,152	398
Net Income Received by Farm Operators from Farm Production*	778	700	978	652	325
Population and Labour Force - Thousands of Persons					
Population as of June 1	1,016	1,014	1,007	997	994
Labour Force	489	488	482	483	484
Participation Rate (Per Cent)	66.4	66.4	66.2	66.8	67.1
Employed	453	451	446	449	449
Unemployed	36	37	36	34	36
Unemployment Rate, Saskatchewan (Per Cent)	7.4	7.5	7.4	7.0	7.4
Unemployment Rate, Canada (Per Cent)	8.8	7.8	7.5	8.1	10.3
Consumer Price Index - Annual Percentage Change					
Regina	4.9	4.3	4.6	4.2	5.4
Saskatoon	4.9	4.5	4.0	4.4	5.2
Canada	4.4	4.1	5.0	4.8	5.6
Private and Public Investment - Millions of Dollars					
New Capital Investment					
Construction	2,824	3,103	2,738	2,985	2,892
Machinery and Equipment	1,487	1,490	1,513	1,580	1,720
Total New Capital Investment	4,311	4,593	4,251	4,565	4,611
Repair and Maintenance	1,438	1,591	1,675	1,710	1,660
Total Private and Public Investment	5,749	6,184	5,926	6,275	6,271
Other					
Value of Manufacturing Shipments - Millions of Dollars	3,286	3,380	3,598	3,592	3,416
Value of Retail Trade - Millions of Dollars	5,416	5,677	5,758	5,628	5,238
Housing Starts - Units	4,895	3,856	1,906	1,417	998
Electric Power Generated - Millions of Kilowatt Hours	12,456	12,959	13,526	13,540	13,576

* GDP basis

** Includes the cash value of inventory changes.

Note: Components may not add to totals due to rounding.

Sources: Saskatchewan Bureau of Statistics, Saskatchewan Energy and Mines, Statistics Canada.

Financial Highlights

1991-92 Fiscal Year Preliminary Results

Summary of Fiscal Position

Preliminary results for the 1991-92 fiscal year indicate Combined Funds revenue of \$4,049.1 million and Combined Funds expenditure of \$4,891.5 million, resulting in a Combined Funds deficit of \$842.4 million for 1991-92.

Revenue and Expenditure

Combined Funds revenue in 1991-92 totalled \$4,049.1 million, a decrease of 13.1 per cent from 1990-91. The major factors contributing to this change were a \$439.4 million decrease in transfers from Crown entities; a \$229.3 million decrease in federal transfers, largely attributable to the Crop Assistance program which occurred in 1990-91; a \$91.3 million decrease in non-renewable resources, primarily from oil receipts; and, a decrease of \$20.5 million in other revenue, mainly due to declining interest revenue. This was partially offset by a \$171.5 million increase in provincial tax revenue.

Combined Funds expenditures in 1991-92 totalled \$4,891.6 million, a decrease of 2.5 per cent from 1990-91. The major factor contributing to this decrease was the \$277.4 million Canada/Saskatchewan Crop Assistance program for the farm sector that occurred in 1990-91 and was not repeated in 1991-92. When this program is netted out of 1990-91, 1991-92 Combined Funds expenditures increased by 2.3 per cent over 1990-91.

Other major factors accounting for the decrease in expenditures include: a total decrease of \$104.1 million for the Department of Agriculture and Food, a combination of the disappearance of the Crop Assistance program partially offset by increases in expenditures necessary for the Gross Revenue Insurance Program and the Net Income Stabilization Account; a decrease of \$39.7 million for the Saskatchewan Crop Insurance Corporation; and, a \$21.0 million decrease in Saskatchewan Property Management Corporation expenditures. These decreases were partially offset by an increase of \$50.4 million in Department of Health expenditures.

Financing and Debt Management

Saskatchewan's financing activities involve the raising of funds through the issue and sale of Province of Saskatchewan securities. Funds raised are used to assist in the financing of the capital budgets of, and to provide a temporary credit facility for, Crown corporations and other agencies as well as for general government purposes. Crown corporations are responsible for reimbursing the Province for the costs of servicing the interest and principal associated with debt borrowed on their behalf. In addition to direct borrowing in the name of the Province, the Government of Saskatchewan provides loan guarantees for certain purposes such as bonds issued in the name of Crown corporations that are offered for sale to Saskatchewan residents.

At March 31, 1992, Gross Debt of the Province amounted to \$13,215.0 million compared to \$12,450.4 million at March 31, 1991. About 54 per cent of the Province's Gross Debt at March 31, 1992 was incurred for Consolidated Fund operations or general government purposes. Approximately 46 per cent of the Gross Debt of the Province at March 31, 1992 was reimbursable from and was incurred for Crown corporations and other purposes.

The Government has initiated a number of measures to improve public accountability and the financial viability of the Crown corporation sector. These measures involve the transferring of non-self-supporting Crown corporation debt to the Consolidated Fund. Effective March 31, 1992:

- As part of the financial restructuring package designed to improve the financial health of the Crown Investments Corporation of Saskatchewan (CIC), \$875 million of its debt was transferred to the Consolidated Fund. This transfer was necessary because CIC does not have corresponding investments that will generate returns to pay the interest and repay the principal of this debt.
- \$184 million of Saskatchewan Water Corporation (SaskWater) debt, associated with the Rafferty/Alameda project and certain irrigation projects, has been assumed by the Consolidated Fund. Servicing and repayment of this debt is dependent upon Consolidated Fund support as these projects do not generate sufficient revenue to cover the debt.
- \$715 million of Saskatchewan Property Management Corporation (SPMC) debt was transferred to the Consolidated Fund. This debt was incurred over the last several years to finance capital projects. Since the repayment of this debt depends on grants from the Government, it is appropriate to account for the liability as a debt of the Consolidated Fund.

These measures respond to recommendations of the Saskatchewan Financial Management Review Commission. They restructure the Province's debt (that is, change the composition) but do not change the level of the debt. In other words, the Consolidated Fund will become responsible for servicing and repaying principal on \$1.8 billion of debt effective March 31, 1992 which was previously reported as the responsibility of Crown corporations.

Securities issued and sold include Province of Saskatchewan promissory notes and debentures. At March 31, 1992, promissory notes and debentures outstanding were \$845.7 million and \$12,369.3 million, respectively. Promissory notes, Treasury bills and debentures outstanding at March 31, 1991 were \$492.5 million, \$550.0 million and \$11,407.9 million, respectively. The Province ceased its weekly tender of 91 day Treasury bills in March of 1991.

During 1991-92, the Province issued and sold \$945.8 million (Canadian equivalent) in medium and long term debentures for general government purposes. During the same period, the Province redeemed outstanding debentures issued for general government purposes totalling \$398.7 million and reduced short term debt issued for the same purpose by \$128.7 million.

The Province issued and sold \$1,243.9 million (Canadian equivalent) in medium and long term debentures for Crown corporations and other purposes during 1991-92. During the year, \$797.6 million (Canadian equivalent) of debentures issued for Crown corporations and other purposes were redeemed and short term debt for the purpose of Crown corporations decreased by \$68.1 million.

Short term debt and debentures maturing within one year totalled \$1,733.1 million at March 31, 1992 compared to \$2,098.8 million at March 31, 1991, a decrease of 17.4 per cent. As a percentage of Gross Debt, short term debt and debentures maturing in one year declined from 16.9 per cent at March 31, 1991 to 13.1 per cent at March 31, 1992.

About 91 per cent of the Gross Debt of the Province was denominated in Canadian dollars while about 9 per cent was denominated in United States dollars at March 31, 1992. Included in the debt denominated in Canadian dollars are certain financing transactions that involved borrowing in foreign currencies and swapping or hedging the liability into Canadian dollars to eliminate the foreign exchange rate risk to the Province. Foreign exchange adjustments resulted in a decrease in Gross Debt of \$32.0 million at March 31, 1992 compared to a decrease of \$41.6 million at March 31, 1991.

The Province's Sinking Fund totalled \$462.0 million at March 31, 1992. Contributions to the Province's Sinking Fund amounted to \$24.5 million in 1991-92, of which \$17.9 million was contributed by Crown corporations and others in respect of the debt incurred by the Province for those corporations and other purposes while \$6.6 million was contributed by the Province in respect of debt incurred for general government purposes.

Guaranteed Debt of the Province was \$1,504.3 million at March 31, 1992 compared to \$1,239.8 million at March 31, 1991. This increase was largely due to the acquisition of an equity interest in Crown Life Insurance Company by HARO Financial Corporation.

Overall, Gross Debt less Sinking Funds plus Guaranteed Debt totalled \$14,257.2 million at March 31, 1992 compared to \$13,260.7 million at March 31, 1991.

1992-93 Budget Estimates

The 1992-93 Budget Estimates for the Consolidated Fund project total revenue of \$4,491.5 million and total expenditures of \$5,008.8 million, for a Consolidated Fund forecasted deficit of \$517.3 million for the 1992-93 fiscal year.

Prior to 1992-93, the Government operated two major funds, the Consolidated Fund and the Saskatchewan Heritage Fund. For financial reporting purposes, these funds were combined and called the Combined Funds. The Saskatchewan Heritage Fund was abolished and its activities, assets and liabilities have been transferred to the Consolidated Fund, effective April 1, 1992.

The 1992-93 Budget projected that Consolidated Fund revenue would increase by \$442.4 million or 10.9 per cent, from the 1991-92 actual revenue.

The 1992-93 Budget presented a number of revenue initiatives aimed at reducing the deficit. The Province introduced a 10 per cent Deficit Surtax which applies to the aggregate of an individual's Basic Saskatchewan Tax and Flat Tax. To protect low-income families, the Child Tax Reduction was increased by \$50 to \$250 per child.

The general Corporate Income Tax rate was increased from 16 per cent to 17 per cent, while the Small Business Tax rate was reduced from 10 per cent to 9 per cent. In addition, the Corporation Capital Tax rate levied on financial institutions and the Corporation Capital Tax Surcharge rate levied on large resource companies was increased from 3.0 per cent to 3.25 per cent and from 2.0 per cent to 3.0 per cent, respectively.

As of midnight May 7, 1992, the Education and Health Tax, the Province's retail sales tax, was increased 1 percentage point from 7 per cent to 8 per cent. The sales tax base was expanded to include tobacco products. The tobacco tax rates were increased by 1.38 cents to 8 cents per cigarette and by 0.9 cents to 5.3 cents per gram of fine cut tobacco. The Fuel Tax rate on gasoline and diesel was increased 3 cents to 13 cents per litre and changes were made to the tax treatment of farm fuel. The Province also announced the phasing-out of the Education and Health Tax applied on direct agents which are consumed in manufacturing and processing industries.

The 1992-93 Budget projected that Consolidated Fund expenditures would increase by \$117.2 million, or 2.4 per cent, from the 1991-92 actual expenditures.

To better reflect existing financial circumstances, the Government adopted a new approach to developing the 1992-93 expenditure budget including: leadership in constraining expenditures; renewed commitment to a formal decision-making process involving the Treasury Board committee of Cabinet; and, active participation by the Province's major third party groups in achieving reductions.

The budget process focused on expenditure reductions and involved the review of all programs and activities. The objective was not only to reduce or eliminate lower priority programs but also to target the Province's limited resources to the protection of those most in need. This involved redirecting resources to the most vulnerable members of the Saskatchewan community, including low-income families and the disadvantaged.

The 1992-93 Budget established two-year spending targets for major third parties, such as health and education. For example, targets for hospitals were set at a decrease in funding of 2.3 per cent in 1992-93 and 3.2 per cent in 1993-94. Targets for Education, for the areas of Kindergarten to Grade Twelve, Universities and SIAST were set at negative 2.0 per cent, negative 1.0 per cent, and negative 3.0 per cent, respectively, for 1992-93. 1993-94 targets for these groups were limited to a negative 2.0 per cent. These two year targets were intended to allow institutions to begin to plan for change and adjust to new spending levels.

A thorough review of all government expenditures resulted in the elimination of more than 20 programs and the modification or reduction of 50 others. A total reduction of over 500 government positions was expected to result from the announced restraint initiatives. The Budget also eliminated almost 40 boards and commissions and froze the out-of-scope salary range in the public service.

Despite the achievement of significant reductions, the net effect of these savings was reduced for a number of reasons. Funding was required for previous years' agreement for the Gross Revenue Insurance Plan and outstanding items like the Principal Trust settlement. A \$39 million subsidy was required from the Consolidated Fund to the Crown Investments Corporation of Saskatchewan to cover the forecasted 1992 net operating loss. Obligations for \$65 million of new funding for Teachers' Pensions were met. The transfer of debt from the Saskatchewan Water Corporation, the Saskatchewan Property Management Corporation (SPMC) and the Crown Investments Corporation of Saskatchewan contributed to the majority of the \$258.2 million increase in Consolidated Fund costs associated with Servicing the Public Debt.

The accounting policy for capital acquisitions changed with the introduction of the 1992-93 Budget. Prior to the change in policy, certain third party and SPMC delivered capital activity was financed through SPMC using funds advanced from the Consolidated Fund. SPMC loaned these advances to third parties for capital projects. The third parties in turn repaid the loans from SPMC using the capital grants they received from the Consolidated Fund. These capital grants were the budgetary expenditures for these projects. Under the new policy, government monies go directly to the third party for the capital project and these monies are recorded by the Consolidated Fund as capital expenditures.

Kindergarten to Grade Twelve capital activity continues to be financed through school boards. The Province pays for its share of the costs over a period of years by providing capital grants to the school boards.

In the 1992-93 Budget, capital activity is grouped into four major categories. Department delivered capital is estimated at \$67.6 million, SPMC delivered capital at \$0.5 million, third party capital at \$102.0 million and other conditional capital grant funding is forecasted to be \$29.9 million.

The 1992-93 Budget estimates total capital financing requirements of \$1,685 million, of which \$1,175 million will be for Consolidated Fund operations or general government purposes and \$510 million will be for the purposes of Crown corporations. In addition to the budgeted borrowing requirements, it is now estimated that the Province's short term debt will be reduced by \$72 million through long term financing undertaken in 1992-93. As a result, 1992-93 total borrowing is now estimated at \$1,757 million. Debt retirement is expected to amount to \$1,110 million resulting in an increase in public borrowing of \$647 million in 1992-93.

Borrowing by the Province from the Canada Pension Plan Investment Fund, estimated at \$100 million, is now expected to total \$63 million. Saskatchewan Savings Bonds, estimated in the Budget to raise \$150 million, have raised \$569 million. Consequently, approximately \$1,125 million will be raised in various capital markets during 1992-93.

Subsequent to March 31, 1992, the Saskatchewan Heritage Fund was terminated and its assets and liabilities were combined with the Consolidated Fund effective April 1, 1992. Consequently, the Consolidated Fund became responsible for \$184 million in Heritage Fund debt associated with the Province's investment in agricultural lands.

At March 31, 1993, Gross Debt of the Province is estimated to total \$13,862.1 million compared to \$13,215.0 million at March 31, 1992. The Province's Sinking Fund is estimated to total \$498.1 million at March 31, 1993 compared to \$462.0 million at March 31, 1992. Guaranteed Debt is estimated to total \$1,615.6 million at March 31, 1993 compared to \$1,504.3 million at March 31, 1992.

Overall, Gross Debt less Sinking Funds plus Guaranteed Debt is estimated to total \$14,979.6 million at March 31, 1993 compared to \$14,257.2 million at March 31, 1992.

**Government of the Province of Saskatchewan
Combined Funds
Statement of Financial Position**

At March 31

Assets	1988	1989	1990	1991	Preliminary 1992
	(Thousands of Dollars)				(unaudited)
Cash and Short-Term Investments	\$ (47,089)	\$ 9,793	\$ 449,217	\$ 323,513	\$ 51,938
Loans to Crown Entities	6,472,055	6,441,481	6,839,205	6,875,208	5,520,757
Loans - Other	77,209	109,365	186,908	143,967	153,800
Investment in Crown Entities	824,812	907,044	960,757	1,057,257	1,447,452
Investment in Agricultural Land and Improvements	149,945	141,298	138,075	136,344	130,139
Investments - Other	4,981	2,936	2,792	1,074	5,229
Total Assets	\$ 7,481,913	\$ 7,611,917	\$ 8,576,954	\$ 8,537,363	\$ 7,309,315
Liabilities and Accumulated Deficit					
Debt for Crown Corporations	\$ 6,401,203	\$ 6,366,047	\$ 6,871,237	\$ 6,913,726	\$ 5,520,309
Debt for Consolidated Fund - Operations	3,174,195	3,782,392	4,678,534	4,916,918	7,043,284
Debt for Others	192,515	191,818	191,051	190,221	189,348
Debt (Net of Sinking Fund Equity)	\$ 9,767,913	\$10,340,257	\$11,740,822	\$12,020,865	\$ 12,752,941
Funds Held on Behalf of Crown Entities and Others	231,431	156,685	152,084	174,752	468,163
Deferred Foreign Exchange Gain	0	0	0	29,451	70,993
Accumulated Deficit	(2,517,431)	(2,885,025)	(3,315,952)	(3,687,705)	(5,982,782)
Total Liabilities and Accumulated Deficit	\$ 7,481,913	\$ 7,611,917	\$ 8,576,954	\$ 8,537,363	\$ 7,309,315

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Accumulated Deficit**

At March 31

	1988	1989	1990	1991	Preliminary 1992
	(Thousands of Dollars)				(unaudited)
Accumulated Deficit, Beginning of Year	\$ 1,965,187	\$ 2,517,431	\$ 2,885,025	\$ 3,315,952	\$ 3,687,705
Deficit for the Year	542,447	324,397	377,728	360,430	842,409
Sinking Fund Earnings Retained in Sinking Funds	(2,548)	(1,000)	(1,223)	(1,391)	(2,076)
Write-offs and Provisions for Losses	12,345	44,197	54,422	12,714	1,454,744
Accumulated Deficit, End of Year	\$ 2,517,431	\$ 2,885,025	\$ 3,315,952	\$ 3,687,705	\$ 5,982,782

(see accompanying notes)

Auditor's Opinion

The Combined Funds financial statements include the assets, liabilities and transactions of the Saskatchewan Heritage Fund and Consolidated Fund of the Province. The Provincial Auditor's 1991 opinion is that these financial statements do not present fairly the financial position of the Government of the Province of Saskatchewan as at March 31, 1991 and the results of its operations and the changes in its financial position for the year then ended. At this time, the Provincial Auditor has not yet completed the audit of the March 31, 1992 Combined Funds Financial Statements and therefore has not expressed an opinion on them. In addition, the 1992 fiscal year information included in the Financial Highlights section of this report is also unaudited.

In the opinion of the Provincial Auditor, the March 31, 1991 Combined Funds statements do not follow accounting principles appropriate for Government financial statements since all the organizations owned or controlled by the Government are not included and the financial statements do not include sufficient information to provide a clear and full understanding of the financial position and results of operations of the Government.

The Combined Funds record loans to the Saskatchewan Property Management Corporation as assets. In the Provincial Auditor's opinion, these loans should be reflected as expenditures since repayment depends on future appropriations from the Consolidated Fund. If these loans were recorded as expenditures, the budgetary deficit would have increased by

\$159.0 million, \$91.0 million, \$169.6 million and \$138.1 million respectively for the years ended March 31, 1988, 1989, 1990 and 1991.

The Government is responsible for the liabilities of several pension plans. The unfunded pension liability is not recorded as a liability in these financial statements but is disclosed in the notes to the financial statements. In the Provincial Auditor's opinion, the unfunded pension liability should be recorded as a liability in the statement of financial position. If the unfunded pension liability was recorded, liabilities and the accumulated deficit would increase by approximately \$2.4 billion (according to the most current actuarial valuations). Because the Government does not have current actuarial valuations, the precise effect of not recording the pension liabilities cannot be determined.

In addition, the Provincial Auditor believes there is reason to write down the loans to certain Crown corporations as the corporations have deficits that in his opinion represent a permanent impairment in the value of the corporations. If the loans were written down, the March 31, 1991 balance of "Loans to Crown Entities" would be reduced by \$49.2 million and the accumulated deficit would increase by \$49.2 million.

The 1991 Combined Funds financial statements were prepared using accounting principles consistent with prior years and the Provincial Auditor's opinion has not been adverse in prior years.

**Government of the Province of Saskatchewan
Combined Funds
Statement of Revenue and Expenditure**

For the Year Ended March 31

Revenue	1988	1989	1990	1991	Preliminary 1992
Taxes	(Thousands of Dollars)				(unaudited)
Corporation Capital	\$ 55,218	\$ 86,946	\$ 97,138	\$ 114,028	\$ 117,548
Corporation Income	123,726	128,294	108,358	65,848	75,487
Fuel	161,168	144,442	173,101	174,074	225,604
Individual Income	768,555	847,838	898,555	980,203	1,022,560
Insurance	20,089	20,752	21,885	22,239	22,849
Mineral Acreage	5,917	5,629	5,639	5,662	5,686
Sales	455,302	498,634	502,304	518,078	577,861
Tobacco	89,810	99,066	102,497	100,977	104,617
Other Taxes	7,150	7,046	15,349	7,102	7,537
Total Taxes	\$ 1,686,935	\$ 1,838,647	\$ 1,924,826	\$ 1,988,211	\$ 2,159,749
Transfers from the Government of Canada					
Canada Assistance Plan	\$ 156,801	\$ 154,916	\$ 152,539	\$ 159,121	\$ 176,037
Equalization Payment	302,675	454,572	608,713	663,398	620,314
Established Programs Financing	406,233	396,994	415,733	370,839	370,446
Manpower Agreements	11,677	4,983	4,489	5,468	4,941
Statutory Subsidy	2,192	2,184	2,180	2,181	2,181
Other	34,601	53,386	47,330	288,108	85,923
Total Transfers from the Government of Canada	\$ 914,179	\$ 1,067,035	\$ 1,230,984	\$ 1,489,115	\$ 1,259,842
Non-Renewable Resources					
Coal	\$ 18,439	\$ 14,853	\$ 13,931	\$ 12,284	\$ 15,827
Natural Gas	22,178	36,337	34,587	49,591	42,764
Oil	347,261	187,862	254,251	283,036	198,168
Potash	48,899	96,080	31,335	49,940	50,781
Uranium	19,718	17,517	15,532	19,262	14,507
Other	1,999	2,886	2,378	2,462	3,181
Total Non-Renewable Resources	\$ 458,494	\$ 355,535	\$ 352,014	\$ 416,575	\$ 325,228
Transfers from Crown Entities					
Crown Investments Corporation of Saskatchewan	\$ 0	\$ 0	\$ 275,000	\$ 310,000	\$ 0
Saskatchewan Liquor Board Profits	0	194,000	135,000	185,000	65,000
Other	5,905	25,013	4,767	29,063	19,646
Total Transfers from Crown Entities	\$ 5,905	\$ 219,013	\$ 414,767	\$ 524,063	\$ 84,646
Other Revenues					
Agricultural Lands	\$ 20,681	\$ 19,507	\$ 17,926	\$ 15,764	\$ 17,009
Fines, Forfeits, and Penalties	9,040	8,977	9,714	9,029	8,884
Interest, Premium, Discount, and Exchange	25,407	19,309	38,732	48,001	17,866
Lands, Forest, Game, Fur, and Fisheries Fees	11,614	11,769	12,690	11,599	12,671
Motor Vehicle Fees	67,874	79,291	79,227	76,670	77,298
Other Licences and Permits	17,479	12,707	9,435	8,964	9,699
Sales, Services and Service Fees	45,928	37,867	39,463	38,636	43,577
Transfers from Other Governments	8,602	7,332	9,760	8,312	9,108
Other	23,660	18,130	18,894	23,223	23,571
Total Other Revenues	\$ 230,285	\$ 214,889	\$ 235,841	\$ 240,198	\$ 219,683
Total Revenue	\$ 3,295,798	\$ 3,695,119	\$ 4,158,432	\$ 4,658,162	\$ 4,049,148

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Revenue and Expenditure**

For the Year Ended March 31

Expenditure	1988	1989	1990	1991	Preliminary 1992
	(Thousands of Dollars)				(unaudited)
Agriculture and Food	\$ 165,263	\$ 189,159	\$ 141,255	\$ 448,781	\$ 344,661
Community Services	94,218	88,820	92,797	101,108	158,867
Consumer and Commercial Affairs	5,435	5,565	5,179	3,669	0
Culture, Multiculturalism and Recreation	0	0	7,262	15,740	0
Economic Diversification and Investment Fund	17,671	16,201	25,604	27,494	55,260
Economic Diversification and Trade	13,187	15,591	17,855	24,798	22,458
Education	779,886	810,400	848,106	897,135	908,313
Energy and Mines	19,743	15,433	16,349	13,867	11,772
Environment and Public Safety	12,800	10,244	11,238	12,733	11,112
Executive Council	6,611	6,597	6,182	6,071	12,678
Family Foundation	0	0	142	4,726	10,413
Finance: Servicing the Public Debt	282,043	320,011	522,963	474,530	502,072
Other	133,958	153,861	187,898	186,871	158,601
Health	1,183,596	1,249,220	1,400,967	1,530,905	1,581,268
Highways and Transportation	215,473	225,107	239,794	226,599	197,598
Human Resources, Labour and Employment	54,329	65,027	56,728	11,549	11,447
Indian and Metis Affairs Secretariat	0	3,752	4,616	4,370	4,043
Justice	128,016	140,795	149,388	153,351	169,296
Legislation	11,057	13,872	14,126	14,149	13,688
New Careers Corporation	0	0	5,713	5,737	5,688
Northern Affairs Secretariat	0	0	355	465	0
Parks, Recreation and Culture	103,871	100,911	57,736	0	0
Parks and Renewable Resources	0	0	55,798	88,096	84,028
Provincial Auditor	3,230	2,890	3,144	3,048	3,615
Provincial Secretary	2,728	4,765	8,274	2,524	0
Public Participation	729	3,365	3,020	0	0
Public Service Commission	9,830	10,022	10,862	9,864	9,412
Rural Development	54,378	70,029	77,615	78,939	69,576
Saskatchewan Crop Insurance Corporation	11,931	14,927	18,940	125,138	85,467
Saskatchewan Gaming Commission	0	0	1,489	2,170	0
Saskatchewan Housing Corporation	110,584	75,141	112,317	76,903	0
Saskatchewan Municipal Board	447	772	821	892	882
Saskatchewan Property Management Corporation	8,102	6,763	7,063	27,082	6,036
Saskatchewan Research Council	7,840	6,479	7,505	6,134	6,557
Saskatchewan Water Corporation	12,456	21,058	29,590	10,838	8,171
Science and Technology	2,434	1,936	1,893	0	0
Seniors' Secretariat	0	0	9,835	50,941	48,349
Social Services	378,435	364,475	363,061	367,416	389,821
Department of Telephones	493	505	5,060	3,422	0
Trade and Investment	7,473	5,823	7,320	0	0
Women's Secretariat	0	0	300	537	408
Total Expenditure	\$ 3,838,245	\$ 4,019,516	\$ 4,536,160	\$ 5,018,592	\$ 4,891,557
Deficit for the Year	\$ 542,447	\$ 324,397	\$ 377,728	\$ 360,430	\$ 842,409

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Loan, Investment, and Deposit Activity**

For the Year Ended March 31

Receipts	1988	1989	1990	1991	Preliminary 1992
	(Thousands of Dollars)				(unaudited)
Loans					
Agricultural Credit Corporation of Saskatchewan	\$ 623,100	\$ 268,400	\$ 212,200	\$ 228,554	\$ 0
Crown Investments Corporation of Saskatchewan	349,125	579,522	304,392	484,742	507,540
Municipal Financing Corporation of Saskatchewan	0	0	33,304	7,057	47,036
Potash Corporation of Saskatchewan	578,020	0	0	0	0
Saskatchewan Crop Insurance Corporation	46,907	45,532	0	404,702	17,152
Saskatchewan Economic Development Corporation	0	7,588	0	37,875	15,329
Saskatchewan Government Printing Company	0	0	984	151	0
Saskatchewan Mining Development Corporation	230,466	376,523	0	0	0
Saskatchewan Power Corporation	49,752	128,060	799,502	4,001	224,567
Saskatchewan Property Management Corporation	0	100,000	52,531	61,084	78,602
Saskatchewan Telecommunications	772	15,074	7,100	69,080	69,061
Saskatchewan Water Corporation	9,839	3,000	350	0	657
NewGrade Energy Inc.	60,678	0	0	0	0
Other	14,416	10,978	26,609	99,963	74,963
Total Loan Receipts	\$ 1,963,075	\$ 1,534,677	\$ 1,436,972	\$ 1,397,209	\$ 1,034,907
Investments					
Potash Corporation of Saskatchewan	\$ 0	\$ 418,554	\$ 0	\$ 0	\$ 0
Saskatchewan Mining Development Corporation	0	218,700	0	0	0
Investment in Agricultural Land and Related Assets	6,220	6,874	2,841	1,342	1,120
NewGrade Energy Inc.	735	0	0	0	0
Other	1,154	2,044	145	1,718	45
Total Investment Receipts	\$ 8,109	\$ 646,172	\$ 2,986	\$ 3,060	\$ 1,165
Deposits					
Crown Entities and Others	\$ 655,538	\$ 136,822	\$ 175,776	\$ 264,967	\$ 486,174
Sinking Funds	18,837	18,340	17,703	17,852	17,875
Redemption of Sinking Funds	18,362	0	0	0	0
Total Deposit Receipts	\$ 692,737	\$ 155,162	\$ 193,479	\$ 282,819	\$ 504,049
Total Receipts	\$ 2,663,921	\$ 2,336,011	\$ 1,633,437	\$ 1,683,088	\$ 1,540,121

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity**

For the Year Ended March 31

Disbursements	1988	1989	1990	1991	Preliminary 1992
	(Thousands of Dollars)				(unaudited)
Loans					
Agricultural Credit Corporation of Saskatchewan	\$ 400,000	\$ 50,600	\$ 55,065	\$ 190,000	\$ 22,546
Agriculture Development Corporation	2,000	1,200	0	0	0
Crown Investments Corporation of Saskatchewan	1,060,551	645,523	1,127,963	558,191	970,000
Municipal Financing Corporation of Saskatchewan	6,200	17,700	39,508	16,271	23,888
Saskatchewan Crop Insurance Corporation	46,907	393,079	150,000	26,533	0
Saskatchewan Economic Development Corporation	48,640	3,919	29,896	25,000	0
Saskatchewan Mining Development Corporation	61,705	0	0	0	0
Saskatchewan Power Corporation	67,736	108,234	158,459	175,152	150,000
Saskatchewan Property Management Corporation	158,844	191,400	175,000	200,000	100,000
Saskatchewan Telecommunications	13,597	20,779	52,370	115,900	0
Saskatchewan Water Corporation	8,300	33,500	60,421	17,839	71,982
Other	42,159	82,905	155,850	55,782	89,196
Total Loan Disbursements	\$ 1,916,639	\$ 1,548,839	\$ 2,004,532	\$ 1,380,668	\$ 1,427,612
Investments					
Crown Investments Corporation of Saskatchewan	\$ 77,583	\$ 719,485	\$ 53,713	\$ 96,500	\$ 99,142
Investment in Agricultural Land and Improvements	944	745	188	54	242
Other	0	0	0	0	9,210
Total Investment Disbursements	\$ 78,527	\$ 720,230	\$ 53,901	\$ 96,554	\$ 108,594
Deposits					
Crown Entities and Others	\$ 520,876	\$ 211,570	\$ 180,377	\$ 242,302	\$ 192,763
Sinking Funds	19,260	18,460	17,823	20,222	24,546
Total Deposit Disbursements	\$ 540,136	\$ 230,030	\$ 198,200	\$ 262,524	\$ 217,309
Total Disbursements	\$ 2,535,302	\$ 2,499,099	\$ 2,256,633	\$ 1,739,746	\$ 1,753,515
Total Excess of Receipts over Disbursements	\$ 128,619	\$ (163,088)	\$ (623,196)	\$ (56,658)	\$ (213,394)

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Changes in Financial Position**

For the Year Ended March 31

	1988	1989	1990	1991	Preliminary 1992
	(Thousands of Dollars)				(unaudited)
Cash Requirements					
Operations					
Expenditure	\$ 3,838,245	\$ 4,019,516	\$ 4,536,160	\$ 5,018,592	\$ 4,891,557
Revenue	3,295,798	3,695,119	4,158,432	4,658,162	4,049,148
Deficit for the Year	\$ 542,447	\$ 324,397	\$ 377,728	\$ 360,430	\$ 842,409
Non-Cash items included in Deficit for the Year:					
Amortization of foreign exchange gain	0	0	0	4,605	12,365
Gain on swap of foreign currency debt	0	43,773	0	0	0
Cash required for operations	\$ 542,447	\$ 368,170	\$ 377,728	\$ 365,035	\$ 854,774
Loans, Investments and Deposits					
Disbursements	\$ 2,535,302	\$ 2,499,099	\$ 2,256,633	\$ 1,739,746	\$ 1,753,515
Receipts	2,663,921	2,336,011	1,633,437	1,683,088	1,540,121
Cash used for loans, investments, and deposits	\$ (128,619)	\$ 163,088	\$ 623,196	\$ 56,658	\$ 213,394
Cash Requirements	\$ 413,828	\$ 531,258	\$ 1,000,924	\$ 421,693	\$ 1,068,168
Financing					
Proceeds from Debt	\$ 1,536,479	\$ 1,153,202	\$ 2,388,167	\$ 3,424,563	\$ 2,542,848
Repayment of Debt	1,028,765	565,062	947,819	3,128,574	1,746,255
Cash from financing	\$ 507,714	\$ 588,140	\$ 1,440,348	\$ 295,989	\$ 796,593
Cash and Short-Term Investments					
Beginning of Year	\$ (140,975)	\$ (47,089)	\$ 9,793	\$ 449,217	\$ 323,513
Net Cash Requirements	413,828	531,258	1,000,924	421,693	1,068,168
Cash from Financing	507,714	588,140	1,440,348	295,989	796,593
Cash and Short-Term Investments, End of Year	\$ (47,089)	\$ 9,793	\$ 449,217	\$ 323,513	\$ 51,938

(see accompanying notes)

Government of the Province of Saskatchewan Combined Funds Notes to the Financial Statements

1. Significant Accounting Policies

1a. Reporting Entity

These statements combine transactions of the Consolidated Fund, the Saskatchewan Heritage Fund and related sinking funds. They account for monies received by the Funds, and appropriated by the Legislature from the Funds. The Consolidated Fund receives all revenues unless otherwise specified by law. The Saskatchewan Heritage Fund receives non-renewable resource revenues and other revenues specified by law. Spending from each Fund is appropriated by the Legislature. Transactions between Funds are eliminated to avoid double counting.

These statements do not account for all financial affairs of the Saskatchewan Government. Other Government entities such as special purpose funds, pension funds, Crown corporations and other agencies, report separately in other financial statements. Only financial transactions to or from these other entities are included in the Combined Funds.

Summary financial statements which include the financial activities of the Consolidated Fund, the Saskatchewan Heritage Fund and other government entities (special purpose funds, Crown corporations, and other agencies) are provided separately.

1b. Basis of Accounting

The financial statements are prepared using the cash basis of accounting modified to allow for an additional 30 days to pay debts incurred in the fiscal year and to collect revenues due in the fiscal year. The Combined Funds' financial transactions are recorded under four categories:

Revenue

Revenue includes taxes, transfers from the Government of Canada, resource royalties, transfers from Crown enterprises, and other revenues.

Expenditure

Expenditure includes payments for goods and services, transfers to other parties, grants, and interest. Capital asset purchases are recorded as expenditure when purchased.

Lending and Investing

Short-term investments are recorded at cost. Gains (losses) on disposal are recorded as revenue (expenditure).

Loans to Crown entities and unrelated parties generally have fixed repayment terms and are interest bearing. Short term loans to Crown entities are valued at par; all other loans are recorded at cost. Interest received on these loans offsets interest paid on money borrowed for the Crown entity or party.

Equity investments in Crown entities and unrelated parties do not have fixed repayment terms and are non-interest bearing. They are carried at cost. Transfers from Crown entities in respect of equity investments are recorded as revenue when received.

Where the liabilities of a Crown entity significantly exceed the estimated realizable value of its assets and the accumulated deficit is not funded by an appropriation, the loan to, or investment in, that entity will be written down directly to the accumulated deficit.

Agricultural land and improvements are assets held for resale. When sales are made, the recovery of the cost of land is recorded as recovery of the investment and gains are recorded as revenue. For sales made under long term sales agreements, recovery of cost of land is recorded as a loan receivable and gains are recorded as revenue when collected. Losses are charged directly to the Accumulated Deficit.

Financing

Debt is issued for the Consolidated Fund's purposes and for Crown entities. All debt is carried at face value. Foreign currencies have been converted to the Canadian dollar equivalent at the exchange rate in effect at March 31. Discounts and premiums are recorded as expenditure in the year issued. For debt issued for Consolidated Fund operations, foreign exchange gains or losses are included in interest if realized. Unrealized foreign exchange gains and losses are amortized on a straight line basis over the remaining life of the debt issue. Debt acquired for investing in agricultural land is reimbursable from the sale of the land.

Certain debenture issues require payments into a sinking fund. The Consolidated Fund is reimbursed by Crown entities for all sinking fund payments made on debt incurred on their behalf. Sinking funds invest in Province of Saskatchewan debentures as well as securities issued or guaranteed by provincial governments, municipal governments, or the Government of Canada until required to retire debt. The sinking funds calculate earnings according to the following policies:

- interest income is recorded on the accrual basis;
- premium/discount on long-term investments is amortized by type of security on a constant yield basis;
- gains/losses on the sale of long-term investments are recognized in the year transacted; and,
- earnings are retained within the sinking funds and are credited directly to the Accumulated Deficit in respect of debt issued for Consolidated Fund purposes.

Interest on money borrowed for Crown entities is netted against interest reimbursed by the entities. As a result, the reported amount excludes the portion relating to borrowings for those entities. Total interest expense is \$1,297,402,000 of which \$791,368,000 is reimbursed from other Crown entities

resulting in a net charge to the Consolidated Fund of \$506,034,000. Discounts, premiums and commissions and recognized foreign exchange gains and losses were a net charge to the Consolidated Fund of \$(3,962,000).

2. Guaranteed Debt, Contingencies, Financial Commitments and Pension Liabilities

a) **Guaranteed Debt** - At year end, \$1,504,273,000 in loans to other parties were guaranteed by the Minister of Finance. Payments on guarantees are treated as a Consolidated Fund expenditure. No payments were pending at year end.

b) **Lawsuits** - The cost of lawsuits against the Government of Saskatchewan is paid by the Consolidated Fund. Up to \$24 million may be paid and up to 50,000 acres of land claimed in the future, depending on the outcome of lawsuits in progress.

c) **Crop Insurance Liability** - The Consolidated Fund pays deficiencies in the Crop Reinsurance Fund of Saskatchewan if they cannot be recovered from future insurance premiums. At year end, the deficiency was \$151 million. Payments in the future will depend on future claims and premiums collected.

d) **Financial Commitments** - Obligations to outside organizations under contracts and agreements entered into prior to March 31, 1992, represent financial commitments at year end. Major commitments resulting from special circumstances, extraordinary program commitments, or capital contracts are listed below.

- Canada-Saskatchewan Crop Drought Assistance Agreement: \$55,917,600 payable to the Government of Canada in four remaining equal yearly instalments.
- Cumberland House Development Agreement: \$9,800,000 payable over the next six years.

- Weyerhaeuser Canada Ltd. Agreement re: road maintenance and construction; term indefinite; five year estimate of commitment, \$15,605,000.

- NorSask Forest Products Ltd. Agreement re: road reconstruction, payable 1993-94 and 1997-98, \$8,900,000.

- Payment to the investors of First Investors Corporation Ltd. and Associated Investors of Canada, \$7,426,654

- Revenue sharing futures, payable to rural municipalities for assistance in road and bridge programs, \$22,184,036.

e) **Pension Plans and Obligations** - The Government of Saskatchewan is the sponsor of several defined benefit pension plans. These plans along with the Public Employees (Government Contributory) Annuity Fund, an annuity underwriting operation, are included in the following table.

Actuarial evaluations are performed at least triennially using the accrued benefit actuarial cost method with salary projection. The actuarial evaluation was based on a number of assumptions about future events such as inflation rates, interest rates, wage and salary increases, employee turnover and mortality. The assumptions used reflect the Government's best estimates of expected long term rates and short term forecasts.

The Public Service Superannuation Plan is a defined benefit plan and is unfunded. Employee contributions are recorded as revenue of the Consolidated Fund; pension payments are recorded as expenditures of the Consolidated Fund. The unfunded pension liability is not recorded in the financial statements.

The Public Employees' (Government Contributory) Superannuation Plan is a defined contribution plan and has not incurred an unfunded liability.

The unfunded pension liability is as follows:

Plan Name	Actuarial Evaluation		Projected Unfunded Liability
	Evaluation Date	Unfunded Liability	March 31, 1992*
(Thousands of dollars)			
Public Service Superannuation Plan	March 31, 1988	776,831	834,683
Teachers' Superannuation Plan **	June 30, 1989	1,572,000	2,036,724
Members of the Legislative Assembly Superannuation Plan	March 31, 1991	19,657	20,146
Judges of the Provincial Court Superannuation Plan	March 31, 1991	10,517	11,698
Anti-TB League Employees Superannuation Plan	March 31, 1992	2,366	2,366
Saskatchewan Transportation Company Employees Superannuation Plan	March 31, 1992	1,805	1,805
Public Employees (Government Contributory) Annuity Fund	March 31, 1992	2,000	2,000
Total Pension Liability		2,385,176	2,909,422

* Projections to March 31, 1992 were calculated by an actuary in March, 1992.

** The TSP is administered by the Teachers' Superannuation Commission, all other plans are administered by the Public Employees Benefits Agency of the Department of Finance.

3. Restructuring of Debt

A restructuring of debt for certain Crown entities resulted in an increase in "Debt for Consolidated Fund - Operations" of \$1,773,728,869. This consists of debt previously reimbursable from Saskatchewan Water Corporation of \$183,710,630, Saskatchewan Property Management Corporation of \$715,018,239 and Crown Investments Corporation of Saskatchewan (CIC) of \$875,000,000.

Debt reimbursable from Saskatchewan Economic Development Corporation totalling \$104,333,908 was transferred to CIC at March 31, 1992 and shows as debt reimbursable from CIC.

Loans due to the Consolidated Fund from CIC of \$875,000,000 were converted to an equity investment in CIC. A portion of the investment in CIC held by the Saskatchewan Heritage Fund and equal to CIC's deficit of \$583,947,000 at December 31, 1991 was written off.

4. Comparative Information

Certain of the 1991 figures have been reclassified to conform with the current year presentation; however, with regard to the expenditures, the figures are reported on the same basis as the Estimates for the prior year.

5. Subsequent Event

Subsequent to March 31, 1992, *The Heritage Fund (Saskatchewan) Repeal Act* was passed. This Act terminated the Saskatchewan Heritage Fund after March 31, 1992 and transferred all assets and liabilities at their book value to the Consolidated Fund on April 1, 1992.

Book value of assets at March 31, 1992 was \$1,231,559,000. Liabilities consist of a loan from the Consolidated Fund of \$184,436,000. With the transfer of the liabilities, non-reimbursable debt will be increased by \$184,436,000.

Combined Funds Statement of Debt

At March 31

	1988	1989	1990	1991	Preliminary 1992
	(Thousands of Dollars)				(unaudited)
Crown Corporations					
Agricultural Credit Corporation of Saskatchewan	\$ 1,040,743	\$ 772,343	\$ 669,008	\$ 630,454	\$ 653,000
Agricultural Development Corporation	2,000	3,200	—	—	—
Crown Investments Corporation of Saskatchewan	1,433,519	1,617,187	2,447,949	2,514,207	2,206,001
Municipal Financing Corporation of Saskatchewan	82,924	100,624	106,828	116,042	92,894
Saskatchewan Crop Insurance Corporation	79,235	426,782	576,782	198,613	181,461
Saskatchewan Economic Development Corporation	106,311	102,642	132,538	119,663	—
Saskatchewan Printing Corporation	2,100	2,100	706	—	—
Saskatchewan Housing Corporation	317,304	317,304	317,304	317,304	317,304
Saskatchewan Mining Development Corporation	370,060	—	—	—	—
Saskatchewan Power Corporation	2,296,159	2,255,457	1,603,299	1,769,113	1,709,297
Saskatchewan Property Management Corporation	340,836	385,136	554,705	693,620	—
Saskatchewan Telecommunications	758,716	756,274	798,146	843,305	781,789
Saskatchewan Water Corporation	15,837	46,337	106,408	124,247	11,861
Total Crown Corporations	\$ 6,845,744	\$ 6,785,386	\$ 7,313,673	\$ 7,326,568	\$ 5,953,607
Other					
Federal/Municipal	\$ 6,783	\$ 6,233	\$ 5,640	\$ 4,995	\$ 4,343
Investment in Agricultural Land	184,436	184,436	184,436	184,436	184,436
University of Saskatchewan	2,234	2,226	2,217	2,208	2,198
Total Other	\$ 193,453	\$ 192,895	\$ 192,293	\$ 191,639	\$ 190,977
Total Crown Corporations and Other	\$ 7,039,197	\$ 6,978,281	\$ 7,505,966	\$ 7,518,207	\$ 6,144,584
Consolidated Fund - Operations	\$ 3,183,268	\$ 3,792,586	\$ 4,690,071	\$ 4,932,216	\$ 7,070,398
Gross Debt	\$10,222,465	\$10,770,867	\$12,196,037	\$12,450,423	\$ 13,214,982
Less: Equity in Sinking Fund (for the purpose of)					
Crown Corporations	\$ 444,541	\$ 419,339	\$ 442,436	\$ 412,842	\$ 433,298
Consolidated Fund - Operations	9,073	10,194	11,537	15,298	27,114
Other - University of Saskatchewan	938	1,077	1,242	1,418	1,629
Total Equity in Sinking Fund	\$ 454,552	\$ 430,610	\$ 455,215	\$ 429,558	\$ 462,041
Gross Debt Less Sinking Funds	\$ 9,767,913	\$10,340,257	\$11,740,822	\$12,020,865	\$ 12,752,941
Guaranteed Debt	\$ 884,730	\$ 1,084,469	\$ 955,282	\$ 1,239,836	\$ 1,504,273
Gross Debt Less Sinking Funds Plus Guaranteed Debt	\$10,652,643	\$11,424,726	\$12,696,104	\$13,260,701	\$ 14,257,214

Combined Funds Statement of Guaranteed Debt

At March 31

	1988	1989	1990	1991	Preliminary 1992
	(Thousands of Dollars)				(unaudited)
Crown Corporations					
The Municipal Financing Corporation Act Guaranteed Debentures	\$ 54,000	\$ 50,500	\$ 42,000	\$ 33,000	\$ 26,000
CIC Mineral Interest Corporation (formerly Potash Corporation of Saskatchewan)					
Royal Trust, London Life Lease	33,047	31,426	29,616	27,594	25,335
T.D., Mutual Life, London Life Lease	42,374	40,656	38,718	36,535	34,074
Royal Trust Lease	28,031	26,984	25,150	24,459	22,944
The Power Corporation Act					
I.A.C. Limited - Dragline Lease	27,744	27,017	26,232	25,382	24,464
Manalta Coal*	42,726	41,986	41,132	40,200	39,111
Marubeni Corporation	6,901	4,600	2,300	—	—
Saskatchewan Power Savings Bonds					
Series I	957	71	34	20	15
Series II	77,843	452	133	30	22
Series III	66,436	19,002	133	27	14
Series IV	99,530	21,919	15,361	102	45
Series V	—	95,388	70,183	29,372	155
Series V-E	—	123,789	96,661	96,540	551
Series VI	—	—	—	113,408	110,165
Series VII	—	—	—	—	170,233
The Saskatchewan Development Fund Act Guaranteed Investments	2,817	3,684	3,387	3,282	3,033
The Saskatchewan Mining Development Corporation Act					
Letter of Credit (U.S. Funds - maximum \$14,500,000 U.S.)	4,690	—	—	—	—
Her Majesty in the Right of Canada	19,947	—	—	—	—
The Saskatchewan Telecommunications Act					
Credit Telebonds	—	36,833	35,352	33,941	32,534
Interest Telebonds	—	69,526	63,604	61,775	62,343
Total Crown Corporations	\$ 507,043	\$ 593,833	\$ 489,996	\$ 525,667	\$ 551,038
Other					
The Agricultural Societies Act					
Loans to Exhibition Associations	\$ 727	\$ 590	\$ 556	\$ 526	\$ 669
The Community Bond Act	—	—	—	1,050	7,475
The Co-operatives Guarantee Act					
Saskatchewan Co-op Credit Society					
- Loans to Co-operatives	796	778	665	553	388
The Family Farm Credit Act - Co-op Trust Company	141	—	—	—	—
The Farmer's Counselling and Assistance Act	45,775	48,984	39,794	32,338	33,461
The Breeder Associations Loan Guarantee Program	—	—	—	1,019	8,463
The Feeder Associations Loan Guarantee Program	8,631	13,381	15,400	17,725	22,269
The Government Organizations Act	204	718	552	652	500
The Department of Highways and Transportation Act	—	—	218	605	532
The Housing and Special Care Homes Act					
Senior Citizens Housing	1,337	1,203	1,111	1,026	944
The Industry and Commerce Development Act					
HARO Financial Corporation	—	—	—	—	210,122
Loans to Small Business	1,077	1,235	1,229	1,346	1,033
SaskFerco Products Inc.	—	—	—	267,660	274,867
The NewGrade Energy Inc. Act					
NewGrade Energy Inc.	233,302	325,347	339,512	338,420	341,263
The Pulp and Paper Mills Act					
Weyerhaeuser Canada Ltd.	70,697	83,400	51,249	51,249	51,249
The Saskatchewan Oil and Gas Corporation Act					
Saskatchewan Oil Bonds	15,000	15,000	15,000	—	—
Total Other	\$ 377,687	\$ 490,636	\$ 465,286	\$ 714,169	\$ 953,235
Total Guaranteed Debt	\$ 884,730	\$ 1,084,469	\$ 955,282	\$ 1,239,836	\$ 1,504,273

* Net of Manalta's equity in Sinking Fund of: \$5,889,116 at March 31, 1992; \$4,800,455 at March 31, 1991; \$3,868,255 at March 31, 1990; \$3,014,365 at March 31, 1989; and \$2,274,377 at March 31, 1988.

Crown Investments Corporation of Saskatchewan

Introduction

Crown Investments Corporation of Saskatchewan (CIC) is a provincial Crown corporation, without share capital, operating under authority of **The Crown Corporations Act, 1978**. The Corporation is responsible for administering provincial government policy as it relates to those Crown corporations under its purview with particular emphasis on business efficiency and effective management. Crown corporations of a commercial nature are designated by Order-in-Council to be under the purview of CIC. All other Crown corporations report directly to Treasury Board, which is a committee of Cabinet.

The year 1992 will see significant changes to CIC. The newly elected Government initiated the Financial Management Review Commission whose report, released in February 1992, established a framework for enhanced public disclosure and accountability. Some of the new measures currently being implemented as a result of recommendations made by the Commission include:

- the development and implementation of a strategic management plan to reinstate CIC's role as a holding corporation for the Province's investments in Crown corporations and other investments under CIC's jurisdiction;
- the public release of CIC's audited non-consolidated financial statements;
- the public release of the annual reports of CIC's wholly-owned subsidiaries;
- thorough reviews of CIC's expenditures and the removal of expenditures which are more appropriately located elsewhere; and,
- reviews of the activities of certain corporations under CIC's purview to ensure that these corporations operate in accordance with CIC's commercial mandate.

Each year since 1978, the financial statements of CIC have been consolidated with the aforementioned Crown corporations and other investments to provide the Legislature with financial information relating to the aggregate results of these corporations. The corporations provide a wide variety of services and sell various commodities in both domestic and international markets. The diversified nature of the corporations within the consolidated group is such that the operating results are affected by events and conditions occurring throughout the world.

The financial results of CIC's consolidated operations for the past five years are summarized in the following schedule. The results for 1991 are discussed in further detail on both a non-consolidated and consolidated basis. Investments include shares held in private and public companies as well as bonds and debentures. Investments in shares of companies are recorded at cost except where CIC exercises significant influence. Investments where CIC exercises significant influence but has less than a controlling interest are accounted for by the equity

method. Bonds and debentures are recorded at amortized cost. Where there has been a material decline in the value of an investment that is not considered temporary, the investment is written down to its net realizable value.

Current Year's Highlights

Non-Consolidated Basis

CIC, as a legal entity, makes investments, borrows money, receives dividends and interest income and pays interest and other expenses. The results of these transactions are reflected in CIC's Non-Consolidated Financial Statements.

CIC's financial health as a separate legal entity has deteriorated significantly over the last several years due to a rising debt load compounded by significant investment losses and an erosion of CIC's productive asset base. As a result, CIC reported a non-consolidated loss for 1991 of \$615.1 million compared to net income in 1990 of \$441.7 million. The 1991 loss is primarily due to write downs totalling \$449.6 million on a number of CIC's investments. These losses represent CIC's best estimate of the decline in value of its investments in certain corporations as shown by the investees' current year loss. These losses are summarized as follows:

Investee	(millions of dollars)
Saskatchewan Mining Development Corporation	\$ 166.3
CIC Industrial Interests Inc.	160.6
NewGrade Energy Inc.	70.1
Saskatchewan Economic Development Corporation	42.6
Saskatchewan Transportation Company	6.5
Saskatchewan Forest Products Corporation	3.5
	<u>\$ 449.6</u>

This significant loss has left CIC with an accumulated deficit of \$583.9 million and total long term debt of \$2.9 billion. In early 1992, the Government developed a strategic plan for the financial restructuring of CIC for purposes of full disclosure and to help restore CIC's financial integrity. Under this plan, the Province has cancelled \$583.9 million of equity advances to CIC to enable it to clear its accumulated deficit, converted \$875.0 million of CIC debt to equity advances to effectively transfer the debt back to the Province and provided an annual budgetary expenditure, estimated at \$39 million in the 1992-93 fiscal year, to CIC to offset a portion of CIC's interest costs and investment losses. The debt conversion is expected to reduce CIC's annual interest costs by approximately \$90 million.

Consolidated Basis

For the 1991 fiscal year, CIC reported a consolidated net loss of \$381.4 million on total revenues of \$1.76 billion, compared to a consolidated net income of \$117.0 million on total revenues of \$1.75 billion in 1990.

There were five losses of significant magnitude which caused most of 1991's loss in addition to operating losses incurred by some Crown corporations. These include:

- a loss of \$189 million associated with the partial privatization of Cameco Corporation;
- a loss of \$64 million as a result of a write-down of CIC's investment in the Bi-Provincial Upgrader;
- a loss of \$47 million as a result of a write-down on the Weyerhaeuser Income Debenture;
- a grant of \$50 million provided to the Meadow Lake Pulp Mill; and,
- a loss of \$70 million on CIC's investment in NewGrade.

During 1991, capital expenditures made by CIC and the Crown corporations under its purview totalled \$678.3 million compared to \$557.3 million spent in 1990. Taxes and resource payments made to the Province by the corporations were \$71.5 million in 1991 and \$69.5 million in 1990. Total assets administered by CIC increased slightly from \$6.9 billion in 1990 to \$7.1 billion in 1991.

1. Crown Corporations

The active Crown corporations under CIC's jurisdiction at December 31, 1991 were Saskatchewan Development Fund Corporation, Saskatchewan Economic Development Corporation, Saskatchewan Forest Products Corporation, Saskatchewan Government Insurance, Saskatchewan Power Corporation, Saskatchewan Telecommunications, Saskatchewan Transportation Company, and Saskatchewan Water Corporation. CIC Mineral Interests Corporation, with its investment in the Potash Corporation of Saskatchewan Inc., and Saskatchewan Mining Development Corporation, with its investment in Cameco Corporation, are also under CIC's purview. These corporations are discussed further below. Of the active Crowns, Saskatchewan Power Corporation and Saskatchewan Telecommunications are the most significant in terms of asset base and operating income generated.

a) Saskatchewan Power Corporation (SaskPower)

SaskPower was established by Order-in-Council in 1949 and formalized as a Crown corporation by an Act of the Legislative Assembly passed in 1950. In accordance with the provisions of the **Power Corporation Act**, the Corporation's main functions include the generation, purchase, transmission, distribution and sale of electrical energy.

SaskPower reported net earnings in 1991 of \$118 million which were unchanged from 1990. Revenue also remained relatively unchanged from 1990 at \$674 million. Electrical energy sales were 1.3 per cent higher than 1990. However, this was offset by the full-year impact of rate reductions to small commercial customers. These reductions were implemented in 1990 to make these businesses more competitive with their counterparts in the two neighbouring provinces.

Finance charges were \$119 million in 1991 compared to \$135 million in 1990. This was the lowest level in a decade. For each dollar of revenue only 18 cents was used to pay finance charges, compared to 20 cents in 1990 and 42 cents in 1986.

Capital expenditures totalled \$365 million in 1991 compared to \$291 million in 1990. A major portion of these expenditures was financed from a SaskPower savings bond issue in 1991. The issue totalled \$173 million and pays an interest rate of 9.125 per cent per annum. This was the largest regular bond issue in SaskPower's history.

At the end of 1991, construction of the Shand Power Station was in the final stages of completion. This 300 megawatt station, which has been under construction for five years, began commissioning in July 1992. During the year, the northern transmission line was completed to serve the new pulp mill located near Meadow Lake.

The long-term Rural Underground Distribution electric program continued in full force and throughout the year SaskPower installed underground electric service to 2,636 rural customers and buried 3,544 km of cable.

b) Saskatchewan Telecommunications (SaskTel)

SaskTel is responsible for providing local and long distance voice, data, image and text transmission services to the people of Saskatchewan. Through its membership in Stentor (formerly Telecom Canada), an alliance of Canada's major telecommunications companies, SaskTel provides a full range of national and world-wide long distance communications services.

Consolidated net earnings totalled \$51.0 million for 1991, an increase of \$4.1 million from 1990 earnings of \$46.9 million. Operating revenues totalled \$568.2 million for the year, down \$6.3 million from 1990 revenues of \$574.5 million. Growth in business lines and long distance messages was not enough to offset revenue losses from continued inter-provincial long distance rate reductions and implementation of the in-province 40/40 plan. Although operating revenues generated in 1991 were less than in 1990, the shortfall was more than offset by reductions in operating expenses and interest and related costs.

Total operating expenses decreased \$9.3 million during the year to \$424.8 million as cost containment initiatives were intensified in response to the effects of changing market conditions on operating revenues. Significantly reduced construction expenditures, fewer permanent employees throughout the year and cuts in discretionary expenditures contributed to reductions in operating expenses during 1991.

In addition to being a financially successful year for SaskTel, a number of significant events took place during 1991. Throughout the year the ongoing conversion to an all-digital network remained on schedule. At year end, 92 per cent of SaskTel's network access lines were served by computer-driven digital switching systems and 95 per cent of its transmission systems were digital. By 1994, SaskTel will achieve its goal of becoming one of the first telecommunications companies in North America to have a 100 per cent digital network which will help create competitive advantages for business customers and offer greater choice to residential customers.

Throughout 1991, SaskTel International, a wholly-owned subsidiary of SaskTel, continued to pursue new opportunities around the world that capitalized on SaskTel's technical expertise and management strengths. At year end, SaskTel International was involved in a number of projects in Canada, the United States, England, Puerto Rico and Tanzania to build, upgrade or expand telecommunications services. In May 1991, SaskTel International signed a contract to install and integrate a rural telecommunications network in 10 provinces of the Philippines. The \$41 million project, the largest to date for SaskTel International, will provide approximately 250 rural communities throughout the Philippines with basic telephone service.

At December 31, 1990, SaskTel owned 4.4 million common shares of ISM Information Systems Management Corporation (ISM) (formerly Westbridge Computer Corporation) representing a 58.9 per cent ownership interest. ISM, now the largest information systems management company in Canada, reorganized its operations by combining the systems management operations of STM Systems Corp. of Toronto and Westbridge Computer Corporation of Regina and shedding the personal computer distribution and leasing business. In addition, ISM issued shares to IBM Canada Limited and International Semi-Tech Microelectronics Inc. which reduced SaskTel's ownership interest to 26.2 per cent at December 31, 1991. On April 30, 1992, SaskTel sold 3.5 million ISM shares to IBM Canada Limited.

2. Major Investments

Over the last several years, CIC has invested, as a commercial partner, in a number of enterprises. The most significant of these investments are discussed below.

a) NewGrade Energy Inc. (NewGrade)

NewGrade is owned jointly by CIC and Consumers' Co-operative Refineries Limited (CCRL). NewGrade was established to construct and operate a heavy oil upgrader in Regina designed to process 50,000 barrels per day of heavy crude oil. The upgraded crude oil is provided to CCRL as a feedstock to their refinery for processing into refined products.

Construction of the upgrader facility was completed in 1988 and was essentially on time and on budget. CIC has made total investments in NewGrade of \$232 million to December 31, 1991. In addition, the Province has provided loan guarantees to NewGrade to a maximum of \$360 million. Continued operating difficulties and cash losses have resulted in CIC having written down its entire investment in NewGrade to nil at December 31, 1991. The losses generated by this project are of concern to the Province. As a result, the Province is reviewing all options with a view to limiting financial exposure on this project.

b) Bi-Provincial Upgrader Joint Venture (Bi-Provincial Upgrader)

In partnership with Husky Oil Ltd., the Government of Canada and the Government of Alberta, CIC owns a 17.5% interest in the Bi-Provincial Upgrader located at

Lloydminster. Construction of the upgrader began in 1989 and operations start-up is scheduled near the end of 1992. The facility, which will produce 46,000 barrels per day of synthetic crude oil, will provide 8.5 million man hours of employment during construction and create 300 permanent jobs when operations commence.

The total construction cost of the upgrader was originally estimated to be \$1.267 billion but was increased by \$175 million to \$1.442 billion in August 1991 as a result of a reforecast of construction costs. Early in 1992, construction cost estimates were increased a further \$190 million to \$1.632 billion. To December 31, 1991, CIC had invested \$197.5 million in the project. Considering the present economic outlook for this project, the projected nominal return on CIC's equity and the financial risk involved with the project, CIC recorded a provision for a decline in value of this investment at December 31, 1991 of \$63.9 million.

c) Saskferco Products Inc. (Saskferco)

Saskferco was created to construct and operate a fertilizer plant which will use natural gas, readily available in Saskatchewan, as a feedstock to produce anhydrous ammonia and urea fertilizers. Saskferco is owned 49 per cent by CIC, 50 per cent by Cargill Limited (Canada) and 1 per cent by Citibank Canada. In May 1990, construction began on the nitrogen fertilizer plant near Belle Plaine. The project is expected to create 2 million man hours of employment during construction and provide 130 direct jobs upon commencement of operations, expected to be in the Fall of 1992.

Capital costs were originally estimated to be \$435 million. No material variance from the estimate is expected. The project will be financed with 30 per cent equity financing and 70 per cent debt financing. A portion of the debt financing is guaranteed by the Province with the remainder guaranteed by CIC.

d) Meadow Lake Pulp Limited Partnership (Meadow Lake Pulp Mill)

CIC and Millar Western Industries Ltd. (Millar Western), an Alberta-based corporation, formed a partnership in 1990 to construct and operate one of the world's first zero effluent chemi-thermomechanical pulp (CTMP) mills. The unique manufacturing process does not discharge any effluent into rivers and streams nor does it produce dioxins or noxious odours. The mill will use 100 per cent aspen as the fibre source to produce 240 thousand tonnes annually of hydrogen peroxide bleached chemi-thermomechanical wood pulp.

The construction and start-up costs were estimated at \$361.5 million with a significant portion of the costs committed to environmental protection. Current estimates indicate that the final project costs will be slightly less than the budgeted amount. Construction of the facility, located near Meadow Lake, commenced in March 1990 and was essentially completed in early 1992. During construction, 1.65 million man hours of employment were created. The mill commenced production of on-spec pulp in January 1992, ahead of schedule. The mill is currently surpassing budgeted production figures.

CIC, a 49 per cent partner in the Meadow Lake Pulp Mill, contributed \$9.8 million in equity while Millar Western, owner of the remaining 51 per cent, contributed \$10.2 million in equity. CIC also provided \$50 million to the Meadow Lake Pulp Mill in the form of a non-repayable infrastructure contribution. This amount has been written off by CIC. In addition, CIC agreed to provide a maximum of \$191.5 million in long term loans, as well as a guarantee for 49 per cent of a \$2 million revolving operating line of credit. CIC had advanced a total of \$132 million of its long term loan commitments as of December 31, 1991.

3. Other Investments

CIC holds shares in major publicly traded corporations as a result of mergers and/or privatization in Crown corporations. Some of these are discussed below.

a) Cameco Corporation (Cameco)

Until July 1991, Saskatchewan Mining Development Corporation (SMDC) owned 61.5 per cent of Cameco, a major Canadian resource development company with uranium and gold mining operations in northern Saskatchewan and uranium processing facilities in Ontario.

In July 1991, Cameco, in an initial public offering, offered for sale to the public 10.4 million common shares which effectively reduced SMDC's ownership to 49.2 per cent. Late in 1991, SMDC sold 5.3 million of its Cameco common shares and placed 2.7 million shares in trust to satisfy the possible exercise of outstanding common share purchase warrants issued at the same time. As a result, SMDC's voting interest in Cameco was further reduced to 38.9 per cent. The full exercise of the common share purchase warrants would reduce this interest to 33.8 per cent. These 1991 transactions resulted in total losses of \$189 million contributing to SMDC's reported net loss of \$166.3 million for 1991.

Cameco reported net earnings of \$47.9 million in 1991 compared to \$91.6 million in 1990. Cameco is listed on the Toronto and Montreal Stock Exchanges.

b) Potash Corporation of Saskatchewan (PCS Inc.)

CIC Mineral Interests Corporation (CIC MIC) owned, unencumbered, 28.3 per cent of PCS Inc. to September 1991. In September 1991, CIC MIC sold 7.3 million of its PCS Inc. common shares and placed 3.7 million shares in trust to satisfy the possible exercise of outstanding common share purchase warrants issued at the same time. As a result, CIC MIC's voting interest in PCS Inc. was reduced to 9.4 per cent.

The full exercise of the common share purchase warrants would reduce this interest to approximately one per cent. These transactions resulted in a loss of \$1.2 million, reducing CIC MIC's reported net earnings for 1991 to \$19.5 million. PCS Inc., listed on the Toronto, Montreal and New York Stock Exchanges, reported net earnings of \$45.2 million in 1991 compared to \$25.4 million in 1990.

4. Major Wholly-Owned Subsidiaries

a) Saskatchewan Energy Holdings Ltd. (SEHL)

SEHL is a share capital corporation incorporated under **The Business Corporations Act (Saskatchewan)** and is wholly-owned by CIC. During 1988, SEHL acquired the net natural gas assets and assumed the natural gas operations of SaskPower. SEHL operates a province-wide natural gas distribution and transmission system. These systems provide service to over 291,000 residential, commercial and industrial customers. SEHL's vast pipeline system is comprised of over 58,000 kilometres of distribution lines and 12,000 kilometres of transmission lines.

During 1991, SEHL recorded net earnings of \$27 million and capital expenditures for the year totalled \$113 million compared to net earnings of \$25 million and capital expenditures of \$62 million in 1990. SEHL managed to control operating costs and maintain the second lowest natural gas rates overall in Canada. In 1991, SEHL's Gas Distribution Program extended services to about 2,400 new rural customers. Since its inception in 1983, this program has provided gas services to some 36,000 new customers.

A major financial issue facing SEHL in 1991 was its high level of debt. As of December 31, 1991, approximately 89 per cent of SEHL's long term financing was in the form of long term debt and only 11 per cent in the form of equity. Such a disproportionately high level of debt meant high debt service costs and an increased exposure to higher interest rates as the debt matures.

In 1992, SEHL entered into a Memorandum of Undertaking with CIC, the Province and SaskPower whereby \$226 million of long term debt was transferred to SaskPower on July 1, 1992. This debt relates to SEHL's purchase of assets from SaskPower in 1988 and 1989. Removing this debt will significantly strengthen the financial position of SEHL. Also in 1992, legislation was passed to establish SEHL as a Crown corporation.

b) CIC Industrial Interests Inc. (CIC III)

CIC III, a share capital corporation incorporated under **The Business Corporations Act (Saskatchewan)**, is also a wholly-owned subsidiary of CIC. CIC III was created as a vehicle to own certain investments in entities of a commercial nature which involved some degree of private ownership. CIC III's assets include CIC's interests in the Bi-Provincial Upgrader, the Meadow Lake Pulp Mill and the Saskferco fertilizer plant as well as a 9.4 per cent voting interest in Saskoil. CIC III also holds various debt instruments including the Weyerhaeuser Canada Ltd. income debenture.

CIC III had a difficult year financially, recording a non-consolidated net loss of \$160.6 million for the year ended December 31, 1991, compared to non-consolidated net earnings of \$53.4 million the previous year. The 1991 loss resulted primarily from the provisions for decline in value of its investments in the Bi-Provincial Upgrader and the Weyerhaeuser Canada Ltd. Income Debenture in addition to the grant provided to the Meadow Lake Pulp Mill which was expensed.

**Crown Investments Corporation of Saskatchewan
Consolidated Statement of Financial Position**

At December 31

	1987 ²	1988 ³	1989	1990	1991
(Thousands of Dollars)					
Assets					
Current	\$ 863,117	\$ 860,948	\$ 764,874	\$ 536,924	\$ 863,526
Investments	882,433	1,546,832	2,097,447	2,023,614	1,647,296
Property, Plant and Equipment	5,283,506	4,768,227	3,858,126	4,201,148	4,431,974
Other Assets	143,867	107,253	104,066	101,929	139,479
Total Assets	\$ 7,172,923	\$ 7,283,260	\$ 6,824,513	\$ 6,863,615	\$ 7,082,275
Liabilities and Province's Equity					
Current	\$ 1,833,628	\$ 1,062,745	\$ 997,880	\$ 2,249,943	\$ 1,394,578
Deferred Revenue	252,490	309,985	259,749	269,662	273,716
Long-term Debt	4,053,506	4,279,451	4,155,652	3,216,802	4,550,215
Province's Equity	1,033,299	1,631,079	1,411,232	1,127,208	863,766
Total Liabilities and Province's Equity	\$ 7,172,923	\$ 7,283,260	\$ 6,824,513	\$ 6,863,615	\$ 7,082,275

**Crown Investments Corporation of Saskatchewan
Consolidated Statement of Operations**

For the Year Ended December 31

	1987 ²	1988 ³	1989	1990	1991
(Thousands of Dollars)					
Revenue					
Sales of Products and Services	\$ 1,907,840	\$ 2,025,388	\$ 1,924,051	\$ 1,668,233	\$ 1,665,893
Investment Income	130,987	80,847	70,104	53,650	61,441
Other	75,645	39,244	48,223	28,487	31,712
Total Revenue	2,114,472	2,145,479	2,042,378	1,750,370	1,759,046
Expenses					
Operating Costs Other Than Those Listed Below	1,121,284	1,108,046	1,032,726	940,614	955,193
Interest	520,652	485,085	459,027	472,476	525,083
Depreciation and Depletion	287,575	276,322	244,592	228,083	236,012
Saskatchewan Taxes and Resource Payments	80,927	90,598	90,063	69,452	71,521
Total Expenses	2,010,438	1,960,051	1,826,408	1,710,625	1,787,809
Earnings before Non-recurring Items	104,034	185,428	215,970	39,745	(28,763)
Non-recurring Items	—	249,817	(376,674)	77,207	(352,669)
Net Income (Loss)	\$ 104,034	\$ 435,245	\$ (160,704)	\$ 116,952	\$ (381,432)

Note 1: The foregoing financial information is unaudited but has been derived from the audited consolidated financial statements of Crown Investments Corporation of Saskatchewan.

Note 2: The 1987 financial information was changed to reflect changes in accounting policies relating to deferred exploration and development expenditures and in accounting for customer contributions and gas inventories.

Note 3: The 1988 financial information was changed to reflect a retroactive change in an investee corporation's method of inventory valuation. The result of this adjustment to the 1988 accounts is an \$8.2 million increase in reinvested earnings and a decrease of \$1.6 million in net income.

For further information or
additional copies contact:

Saskatchewan Finance
2350 Albert St., 9th Floor
Regina, Saskatchewan S4P 4A6
(306) 787-6768